

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 TRSE-00 OMB-01 L-03 H-02

AID-05 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

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R 081610Z JUL 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 937

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJ: CONGRESSIONAL INTEREST IN RECIPROCITY IN FOREIGN BANK  
ESTABLISHMENT

REF: STATE 157474

1. ALTHOUGH THE US-SWISS TREATY OF FRIENDSHIP, COMMERCE,  
AND EXTRADITION DOES NOT SPECIFICALLY GUARANTEE MFN TREAT-  
MENT FOR BANKS, US BANKS IN SWITZERLAND HAVE TRADITIONALLY  
RECEIVED THE SAME LIBERAL TREATMENT AS DOMESTIC BANKS.  
STATE RECIPROCITY REQUIREMENTS HAVE HAD NO DISCERNIBLE  
EFFECT ON US BANKING ACTIVITY HERE.

2. FEDERAL LICENSING WITHOUT RECIPROCITY WOULD DO NOTHING  
TO IMPROVE THE TREATMENT OF US BANKS IN SWITZERLAND. ON  
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THE CONTRARY, THE PROPOSED FEDERAL LEGISLATION TO REGULATE

FOREIGN BANKS IN US COULD CREATE PROBLEMS FOR US BANKS  
IN SWITZERLAND (SEE BERN 848).

3. US BANKS IN SWITZERLAND OPERATE UNDER MORE LIBERAL  
RULES HERE THAN IN THE US; FOR EXAMPLE, IN SWITZERLAND  
THEY CAN DEAL IN SECURITIES, ACT AS UNDERWRITERS, AND  
OPEN BRANCHES THROUGHOUT THE COUNTRY. EXISTING US RESTRICTIONS  
ON FOREIGN BANKS HAVE ALWAYS BEEN A SORE POINT WITH SWISS  
GOVERNMENT OFFICIAL AND THE SWISS BANKING COMMUNITY.  
SINCE THE RECIPROCITY PROVISION WAS ADDED TO THE SWISS  
BANKING LAW IN 1971 (SEE BERN A-246, JULY 8, 1971),  
AMERICAN BANKS SEEKING PERMISSION TO ESTABLISH IN  
SWITZERLAND HAVE ENCOUNTERED GROWING DIFFICULTIES IN  
SHOWING THAT SWISS BANKS RECEIVE RECIPROCAL TREATMENT  
IN US. THE SWISS CONSIDER THAT TO MEET THE REQUIREMENTS  
OF THE 1971 LAW, SWISS BANKS IN THE US SHOULD RECEIVE THE  
SAME TREATMENT AS US BANKS IN SWITZERLAND. THAT SWISS  
BANKS IN THE US DO RECEIVE THE SAME TREATMENT AS US  
BANKS WOULD NOT MEET THAT REQUIREMENT.

4. WHILE THE GRANDFATHER CLAUSE IN THE PROPOSED LEGISLATION  
SHOULD TAKE CARE OF SWISS BANKS ALREADY ESTABLISHED  
IN THE US (THIS INCLUDES ALL MAJOR SWISS BANKS), US  
BANKS NOW IN SWITZERLAND WHO WISH TO OPEN NEW BRANCHES  
AND NEW US BANKS APPLYING FOR PERMISSION TO OPERATE HERE  
MAY FIND IT MUCH MORE DIFFICULT IF NOT IMPOSSIBLE TO DO  
SO IF AND WHEN THE PROPOSED LEGISLATION COMES INTO  
FORCE. IN SHORT, IF THE AVOWED PURPOSE OF THE  
LEGISLATION IS TO ACHIEVE RECIPROCAL TREATMENT IN  
ALL COUNTRIES, THIS MIGHT BE THE EFFECT BUT AS A CONSIDERABLE  
COST TO US BANK OPERATIONS IN SWITZERLAND.  
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